



Remarks For

The Hon. Steve Preston
Administrator
U.S. Small Business Administration

Delivered At The

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Thank you, Wanda [Hill], for that nice introduction. And thank you, John [Robinson] and the National Minority Business Council for having me here today.

And let me offer my congratulations to NMBC on its 28th Annual Awards luncheon. Congratulations to all of the honorees.

For 35 years now, NMBC has been a strong advocate and partner for small minority- and women-owned business across the country. And I'm happy that we've been able to work with NMBC at the District level on training and outreach events, that we're building on that foundation with a more formal agreement.

I am always thankful for good partners like NMBC. Most of what we do is done through partnerships.

- We guarantee private sector loans to help more small business get capital. <over \$75 billion>
- We work with federal agencies to help small businesses grow revenues through federal contracts. <\$78 billion in 2006>
- And we help small businesses get counseling and technical assistance through a national network of partners. <over 1 million / year>

Owning and working for a small business is becoming more and more a way of life for all Americans. Over the last three decades, the number of employees at Fortune 500 companies has declined, while the number of Americans working for small firms has increased significantly. And that's not surprising, when you consider that over time small businesses create between 60 and 80 percent of net new jobs.

It is particularly amazing when you consider that 8.3 million new jobs have been created in our economy in since August 2003. And it's particularly important as we enter a year when job creation is slowing.

Small businesses drive our economy in other ways as well:

- Employ half of the private sector workforce
- Account for half of nonfarm GDP.
- Are major drivers of innovation.
- Account for almost 30 percent of our exports, or \$263 billion in 2006.
- They are the underpinning for transformation in many of the underserved communities in our country.

I've had the opportunity to meet with government leaders from across the world, and they always want to understand why entrepreneurship is such a strong force in the United States ... and how the SBA is effective in our efforts to enable it.

And after I tell them about our policies and programs, I tell them that entrepreneurship is a part of our national DNA. Dreaming big and taking risk to realize those dreams is part of who we are. America was built by entrepreneurs, and over the years we have succeeded on the strength of our entrepreneurs – and on the success of our small businesses.

Indeed, many of our corporate icons today were small firms not that long ago. Three-quarters of the Fortune 100 companies were not even on the list 25 years ago. That is a story of business incarnation and growth which has defined the last half century of our economic history.

And many of our corporate icons – companies like FedEx, Intel, Apple, Staples, Nike, Outback Steakhouse, and AOL, just to name a few – received help from the SBA along the way.

And while we've seen a remarkable growth in the number of small businesses, we've seen even greater growth in minority and women business ownership.

In 1982, only about 7 percent of U.S. business enterprises were minority-owned. Today, that number is greater than 18 percent.

The number of women owned businesses has been growing at twice the national average for the past twenty years, and women-owned firms now account for **28** percent of all privately held businesses.

Small business ownership can be the gateway to opportunities for all Americans – and we are seeing the evidence.

Small business formation and growth can also change the game for millions of Americans living in underserved areas of our country by bringing jobs, investment, and wealth creation opportunities to areas of our country that need it the most. These are areas where we see high poverty and unemployment – often in rural and inner-city markets.

Not only does SBA play a critical role in America's overall small business story, our role is even greater in these markets:

- Our loan dollars are 4 to 5 times more likely to provide capital to minority-owned, women-owned, and start up businesses.
- In addition, over 1 / 3 of our loans go to business located in underserved geographic markets.

These are the areas where our partnership with America's entrepreneurs is having the most significant impact – and the focus of our agency today is to expand that impact.

At the SBA, we have the great privilege of empowering these agents of change. These people who are fueled by vision, ideas, optimism and commitment are, across our country, being enabled with capital, training, technical assistance, and revenue from government contracts that are driven by SBA programs.

But no matter how effective we make SBA's products and services, they can never – and should never – take the place of policies that create an environment in which small businesses can flourish. Our programs are a compliment to sound economic policies.

Policymakers in Washington have a great responsibility to create a small business friendly environment. This means

- Keeping taxes low
- Reducing burdensome regulation, and
- Allowing the market to drive affordable health care for all of our nation's small businesses.

And it also means giving U.S. companies better access to foreign markets. This is a vital policy, and particularly for small businesses.

Around 97 percent of all exporting firms representing almost 30% of US Exports are small, and the number of SME Exporters grew more than twice as fast as the number of large company exporters, between 1992 and 2003.

And while the opportunities are vast, with 95 percent of the world population living outside of the United States, the majority of small exporters, however, do business in only one overseas market. We need to make foreign markets more accessible in part because it will further unlock the power of small business to drive our economy forward.

There has never been a better time to export. And the growth in exports reflects that. Our exports increased by 25 percent from 2005 to 2007.

- Marketing to buyers in other markets, for one, has become dramatically easier with the spread of the Internet. An American company can attract buyers from around the world with a web site designed and maintained in New York, or in my hometown of Janesville, Wisconsin – or any other city or town in the United States.
- Email, global telecommunications, and widely available transaction technologies have helped bridge the communications divide, making it cheaper and easier to stay in close contact with customers, and transact with them.

- Other logistical impediments are also being overcome. It's much easier and faster to send and receive goods, regardless of their source or destination.

Despite the many advances that have allowed small businesses to compete in international markets, several roadblocks for small business exporters remain. These include:

- tariffs,
- non-tariff barriers such as burdensome paperwork and other restrictions,
- difficulties in getting products across borders,
- concerns over intellectual property rights,

This is where policy comes in. We need fair, well-structured agreements with our trading partners to reduce these impediments, which is good for small business and for our economy as a whole.

The goal is to increase access to foreign markets for small U.S. companies, by putting tariffs on a level playing field and creating greater transparency and predictability for small businesses operating overseas. That's the most effective way we can support small businesses in expanding through exports.

And the way to do this is by enacting well-structured free trade agreements. Countries where we have an FTA accounted for almost half of our exports in 2007.

Today, with many of our trading partners, US exports pay much higher tariffs than imports from those countries. Free trade agreements eliminate or reduce tariffs, duties and quotas, and work to create a level playing field for U.S. companies.

Second, free trade agreements work to reduce non-tariff barriers, which can make exporting very difficult for small businesses. These barriers, which include things from excessive paperwork to the inconsistent enforcement of customs policies or valuation of imports, require fixed costs that can be prohibitive for small businesses. Small firms can't support a staff dedicated to working on understanding and complying with excessively burdensome restrictions that other countries place on imports.

Finally, FTAs also provide better protection against intellectual property theft. This is vitally important for all businesses, and particularly so for small firms, which are incubators of innovation and generate 13 times more patents per employee than large firms.

In effect, FTAs can reduce the cost, simplify the process, and improve protections for American exporters – all of which has a particularly profound impact on opportunity for small businesses.

Historically, free trade agreements have been a boon for small business exporters. Consider the results of NAFTA:

- Small business exports to Canada and Mexico between 1992 and 2003 almost doubled (from \$25 billion to \$48 billion), and
- Grew as a percent of all small business exports (from 24 percent to 28 percent).

Small business exporters accounted for 46 percent of all U.S. exports to the six Central American countries in CAFTA in 2005. Before we passed CAFTA, we had a trade deficit with those six countries. Now, we have a growing trade surplus with those countries. That surplus was \$1.2 billion in the first half of this year – twice what it was during the same period last year.

In January 2001, we had free trade agreements in force with just three countries. Through the President's commitment to expanding opportunities for U.S. companies, we now have agreements in force with 15 countries, counting Peru. As a result, exports are increasingly a major factor in our GDP growth.

Today, there are three important FTAs pending, with South Korea, Colombia and Panama. The three markets have a combined 97 million people and \$1 trillion in gross domestic product. In all of these markets, the current tariff arrangements are heavily weighted against U.S. exporters. The FTA's will change that. Responsibility for passing these agreements now rests with Congress. And Congress needs to work to pass these agreements on behalf of America's small businesses.

I was in Colombia last month and I will be going back in 10 days with Commerce Secretary Carlos Gutierrez and Members of Congress. I saw first-hand the mutual interest in enacting a free trade agreement.

As small business owners looking to expand your businesses, it is important that you are aware of these and other policy issues and how they will affect your ability to expand into new markets, purchase health

care for your employees, invest back in your business, and operate without excessive regulatory burdens.

As I conclude I would like to do two things:

First, I want to encourage you to look at foreign markets, if you are not already. And, if you are interested in exporting, there are many places to get advice and support.

- SBA and Commerce have export assistance centers that can offer you help in any number of areas, as do many of our Small Business Devt center partners and SCORE.
- SBA and ExIm Bank provide export financing programs.
- And obviously NMBC has extensive programs to support you-

Leverage that support as you look to foreign markets.

Second, I want to thank you for all you do each day. As you toil through the daily challenges of growing a business, managing employees, and staying on the cutting edge, please know that you are part of the risk-taking entrepreneurial culture that has built America's unrivaled economic base and the foundation for keeping our country competitive into the future.